



March 17, 2008

Mr. Charles Valdes, Chairman  
Investment Committee  
California Public Employees' Retirement System  
400 Q Street  
Sacramento, CA 95814

Dear Mr. Valdes:

Pension Consulting Alliance (PCA) has been asked its opinion of the proposed legislation introduced by Assemblyman Torrico known as Assembly Bill 1967 (AB 1967). In summary, AB 1967 would prohibit CalPERS, under defined circumstances, from investing in a private equity company or in a fund it manages, if the private equity company is owned in whole or in part by a sovereign wealth fund. CalPERS has existing investments in and commitments to such private equity companies and funds they manage.

Adoption of AB 1967 will result in limiting CalPERS' Alternative Investment Management (AIM) program from investing in or alongside these top quartile investors. As the sovereign wealth funds participation in the private markets increases (due to expected continuation of elevated oil prices), AIM's future investment options will be even more limited. The AB 1967 restrictions contravene AIM's strategic goal, approved by the Investment Committee, to become the Investor of Choice.

PCA understands that the Investment Committee intends to consider its position on AB 1967 at its March 17, 2008 meeting. PCA recommends that the Investment Committee oppose the proposed legislation because of its current and potential future negative impact on the AIM program and its contravention of the strategic goal to become the Investor of Choice.

Pension Consulting Alliance